GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Finance Department – Implementation of Goods and Service Tax (GST) in works contracts – Recommendations of the Board of Chief Engineers – Orders – Issued.

FINANCE (WR.I) DEPARTMENT

G.O.MS.No. 58 **Dated: 08-05-2018**
Read the following:-

1. G.O.Rt.No.1688, Finance (FMU-WR.I) Department, Dt.28-07-2017.
2. Minutes of the meeting held on 11-08-2017on implementation of GST.
3. Government Memo No.47027/297/2017, Finance (WR.I) Department, Dt.13-09-2017.
4. Letter No.ENC.IW/P&M/EE.I/DEE.2/AEE(K)/SoR-2017-18(post GST)/Vol.1, Dt.28-03-2018.
5. Letter No.ENC.IW/P&M/EE.I/DEE.2/AEE(K)/SoR-2017-18(post GST)/Vol.1, Dt.29-03-2018.

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ORDER:-

Government constituted a committee to formulate guidelines on implementation of GST in works contracts in G.O. 1st read above.

2. In the minutes of the meeting 2nd cited, the Committee recommended certain guidelines on implementation of GST.

3. Government after careful examination of the recommendations of the Committee, accepted the recommendations and orders were issued in the Memo 3rd cited.

4. In the letter 4th cited, the Engineer-in-Chief (Admn.) (FAC) & Chairman, Board of Chief Engineers (BoCEs), Vijayawada has submitted the minutes of Board of Chief Engineers dated 26-09-2017 and 22-2-2018. The following recommendations are made by the Board of Chief Engineers:

(i) During the 5th Board of Chief Engineers meeting during the year 2017-18 held on 26-9-2017, members discussed regarding schedule of rates for the Year 2017-18, in order to comply with the GST system to arrive at basic rates of all materials after deleting the tax elements which are subsumed under GST system.

The members discussed the matter in detail and agreed to basic rates arrived for Water Resources items (Part-I), R&B items (Part-II), Building items (Part-III), PH items (Part-IV) after deleting the subsumed taxes like VAT, Excise duty etc. The Board of Chief Engineers finally recommended to include the basic rates in the SoR 2017-18 without any Tax elements and suggested that during preparation of estimates the 12% GST rate towards works contract is applied on the Estimated Contract Value and is to be provided in Part - B of estimate.

(ii) During the 1st Board meeting of 2018 held on 22-02-2018, members discussed regarding hire charges of machinery rates. Most of the Chief Engineers informed that most of the executing agencies brought to the notice of CEs regarding reduction of hire charges as the hire charges arrived after capital cost of machinery was reduced to the extent of VAT and Excise Duty, and requested to restore to earlier rates as the Agencies cannot claim input Tax credit.

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The members discussed the issue at length and opined that as per Government Memo 3rd cited, the material basic rates without tax components are to be arrived and procedure followed in arriving the hire charges of machinery, post-GST, are in compliance with the Government instructions and hence the Board of Chief Engineers recommended not to change hire charges of machinery already approved for SOR 2017-18 w.e.f., 1st July 2017 communicated vide proceedings No. ENC/IW/SE(P&M) dt.13-10-2017.

5. As per the provision of APGST/CGST Act 2017, all the Government work contracts executed from 01-07-2017 to 21-08-2017 attract GST @18% with input tax credit and from 22-08-2017 @12% with input tax credit. Further, with effect from 13.10.2017 the works contract involving predominantly earth work (i.e., constituting more than 75% of the value of the work) attract 5% GST with input tax credit.

6. On the issues raised by the Director of Works Accounts, A.P., the Engineer-in-Chief (Admn.) (FAC) & Chairman, Board of Chief Engineers (BoCEs), Vijayawada has requested to issue orders on the following vide letter 5th cited :

a) Contracts either concluded prior to or after 01.07.2017 with the SSR 2016-17 or prior SS Rates (wherein tax element is included) under the category of works:

   (i). Revised Estimates have to be approved separately duly incorporating the works executed prior to 01.07.2017 and after 01.07.2017 with GST provision as applicable from time to time.
   (ii). Supplemental agreements are to be concluded with the arrived unit rates (excluding tax element) for the work executed on or after 01.07.2017 and GST as applicable has to be added to the bill amount.
   (iii). Payments are to be allowed duly adjusting the already made payments in the intermediate bills.

b) Regarding implementation of basic rates without tax elements in SoR 2017-18.

7. Government after careful examination of the recommendations of the Board of Chief Engineers hereby accept the following;

   (a) Since the SOR relates to the year 2017-18 and the GST was introduced with effect from 01-07-2017, reducing the unit costs of all the materials as well as hire charges, by the subsumed taxes embedded therein. The rate of GST fixed @18% (9% CGST and 9% SGST) for the work contracts from 01-07-2017 to 21-08-2017 and GST @12% (6% CGST and 6% SGST) from 22-08-2017 with input tax credit.
   (b) With effect from 13.10.2017 the works contract involving predominantly earth work (i.e., constituting more than 75% of the value of the work) attract 5% GST with input tax credit.
   (c) Regarding contracts concluded prior to or after 01.07.2017 with the 2016-17 prior SSR rates (wherein tax element is included)
      (i) Revised Estimates have to be approved separately duly splitting the works executed prior to 01.07.2017 and the work done after 01.07.2017 with GST provision as applicable with the basic rates of sanctioned estimate SoR.
      (ii) Supplemental agreements are to be concluded with the arrived unit rates (excluding tax element) for the work executed on or after 01.07.2017 and GST as applicable has to be added to the bill amount.
      (iii) Payments are to be allowed duly adjusting the already made payments in the intermediate bills.

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8. Tax liability under GST shall be taken into consideration at the time of invoicing and payment there on as per the terms and conditions of the agreements between the contractors and Engineering Departments. Departments shall ensure that there shall not be any excess payments to the Agencies.

9. As the TDS provisions of GST Act are not in operation now, contractors are liable to discharge their tax liability fully as per the provisions of GST Act while filing the returns.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

MUDDADA RAVICHANDRA
PRINCIPAL FINANCE SECRETARY TO GOVERNMENT (FAC)

To
All The Departments of Secretariat.
All The Members of the Committee.
All Engineering Departments.
All The Corporations.
The Accountant General, A.P., Hyderabad.
The Director of Works Accounts,
Ibrahimpatnam, Vijayawada.
The Chief Executive Officer, APCFSS,
Ibrahimpatnam, Vijayawada.
Copy to:
The P.S. to Principal Secretary, Chief Minister's Office, A.P. Secretariat, Velagapudi.
The P.S. to Finance Minister, A.P. Secretariat, Velagapudi.
The P.S. to Chief Secretary to Government, A.P. Secretariat, Velagapudi.
The P.S. to Principal Finance Secretary, A.P. Secretariat, Velagapudi.
SC/SF.

//FORWARDED :: BY ORDER//

SECTION OFFICER